



GRAIN TRANSPORTATION REPORT

Agricultural Marketing Service
United States Department of Agriculture

August 03, 1998

Transportation Summit Raises Important Issues. *Agricultural Transportation Challenges for the 21st Century: A Framework for Discussion* was the theme and focus of the recent transportation summit held in Kansas City, MO, July 27-28, 1998. The summit, sponsored by the USDA's Agricultural Marketing Service (AMS), allowed participants and presenters the opportunity to understand and appreciate the problems associated with transporting agricultural products in today's volatile market. Leading the list of noteworthy speakers were U.S. Secretary of Agriculture, Dan Glickman, and U.S. Secretary of Transportation, Rodney Slater. Given the critical interdependence of these two sectors and in light of the recent crises affecting both, the Secretaries signed a memorandum of agreement that established a stronger working, and more effective problem-solving, relationship between the two agencies. The 1996 Farm Bill brought significant changes to agriculture and transportation. With diminished support payments, the bill allows farmers to plant additional acres of a larger crop mix. This has created additional demands upon storage facilities and the Nation's transportation system, including a change in shipping patterns. It is estimated that 75 million bushels of grain will need to be stored on the ground after the 1998 harvest, compared to 32 million bushels in 1997. The volatility of the agricultural sector is perhaps the strongest reason for this crisis, along with a U.S. dependence upon exports in a world market where prices are being driven down by oversupply. Truck, railroad, and water movements are the three important modes of grain transportation. Steve Bobb, Vice President of Agricultural Commodities Business Unit, Burlington Northern Santa Fe Railroad (BNSF), described the rail problems from a carrier's perspective. The BNSF currently has 18,000 grain origin-destination pairs, compared, for example, to 200 for coal and 1,000 for intermodal traffic. Any complications involved in this vast network are being exacerbated by the volatile agricultural market, good crop production, and weak exports. Several ways in which rail customers can help, according to Bobb, are to increase loading efficiency, reduce spotting time (the time that the rail car is being loaded), invest in facilities, and use electronic data interchange (EDI), which currently accounts for the transfer of only 60 percent of all agricultural commodity bills of lading. According to Bobb, the BNSF is making large capital investments and improving operations through EDI and a shuttle program, essentially one train moving, consistently, through several points. Drew Collier, Vice President and General Manager-Agricultural Products, Union Pacific Railroad (UP), addressed several similar issues and spoke optimistically of the status of the UP as it recovers from congestion problems following its merger with the Southern Pacific Railroad. Collier emphasized the importance of communication the ability to know where grain is being transported and when. Terry Voss, Ag Processing, Inc., suggested that two possible solutions to the uncertainty of rail movements were to build additional grain storage and trade freight at its true value. The problem of barge transportation is its old and inefficient infrastructure. Dan Renfro, Chief of Construction and Operations Division, Mississippi Valley Division, U.S. Army Corps of Engineers, discussed the maintenance and replacement problems of the Mississippi River lock and dam system. Barge transportation is reported to be the safest, most fuel efficient, and most environmentally friendly of all grain transportation modes. However, while competitor countries such as Argentina and Brazil invest heavily in establishing an efficient river transportation system, the U.S. system faces annual decreases in funding for an infrastructure in urgent need of repair and revitalization. The U.S. Army Corps of Engineers is currently imposing performance measures, hoping to save on things such as dredging as well as possibly closing certain plant and service facilities, and utilizing risk management, by providing minimal service and maintenance where it is least likely to cause barge traffic disruptions. Aside from the issue of the Jones Act, mentioned by Senator Sam Brownback (R-KS), ocean shipping is presenting several other concerns for agriculture. Issues include inaccessibility of certain ports, due, for example, to inadequate port depth on the water side and highway and rail congestion on the land side, and the imbalance of container availability. There is considerable growth in the use of containers for high-value agricultural products. Unfortunately, containers generally enter the U.S. with imports and remain in coastal areas. Therefore, agricultural areas in the Midwest, for example, are finding it necessary to pay a higher inland transport cost to move the containers to port areas. A shippers' association is considering a possible solution, in which a group of shippers essentially pool these container movements. The proposed Ocean Shipping Act of 1998 is another important matter affecting agriculture. If signed into law, it will allow shippers and carriers the confidentiality to discuss and fix rates between themselves. Lastly, the goal of the St. Lawrence Seaway is to extend its current open season to from 180 to 200 days. Also, being studied is the possibility of providing deeper draft and wider locks for the Seaway. Linda Morgan, Surface Transportation Board Chairperson (STB), presented the current rail issues facing the STB, as well as likely responses. According to Morgan, the rail infrastructure is a fragile network that is easily affected by changes in market conditions and other economic variables. To best prepare for these changes, it is essential that there be dialogue on several fronts, such as between shippers and carriers, smaller and larger railroads, etc., with all involved knowing the expectations and limitations of each. In addition, Morgan stated that it is important that STB procedures be reviewed in order to best provide such things as regulatory relief, if necessary. Coordination between the STB and other governmental agencies is also vital, keeping in mind the future impact of decisions made.

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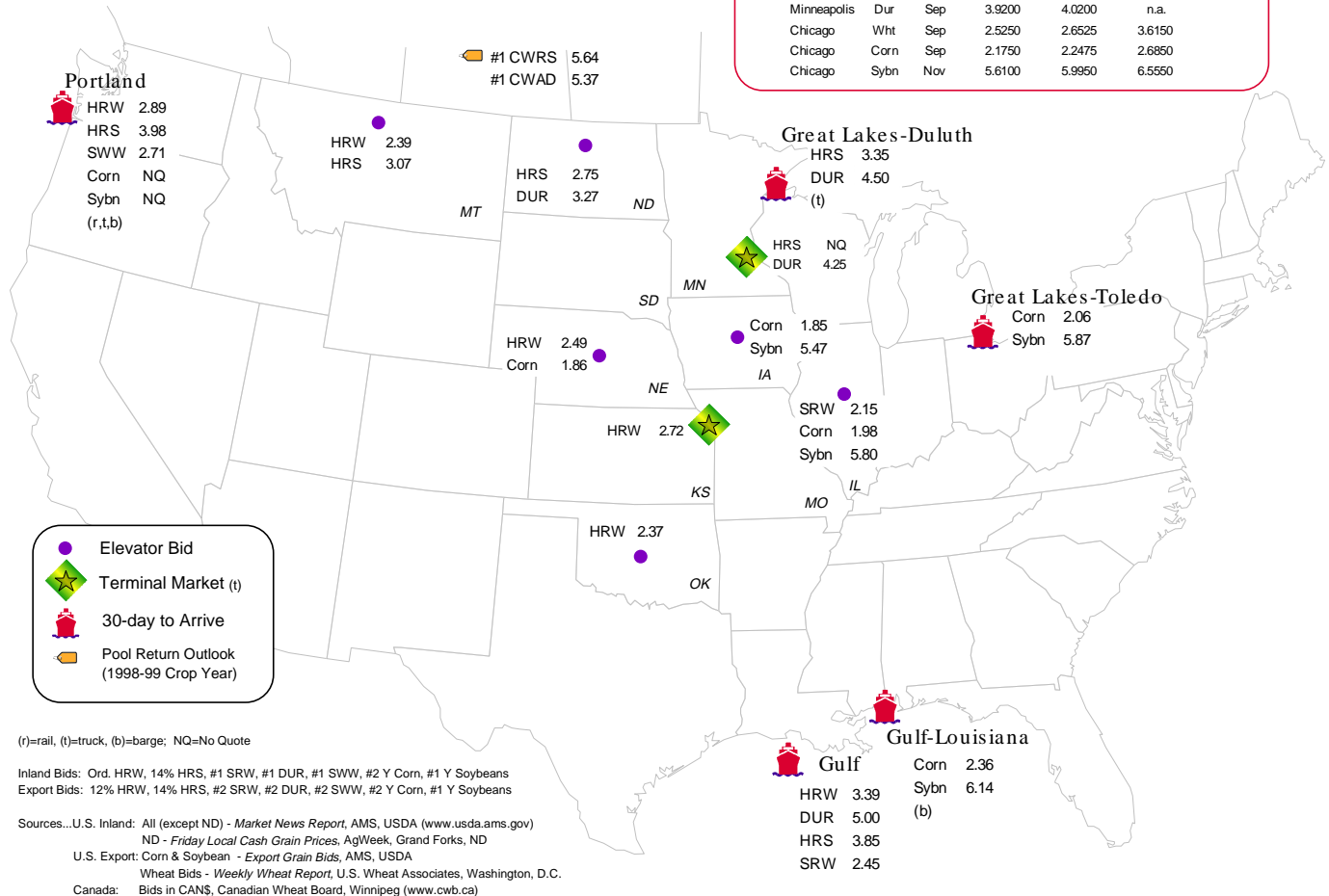
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Grain Bid Summary



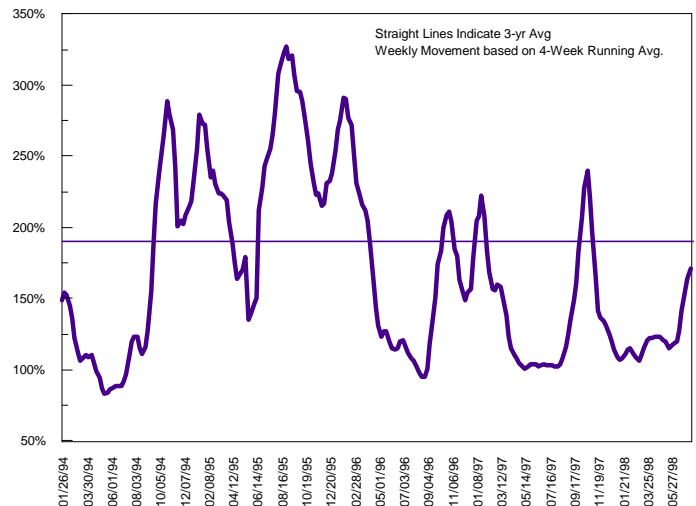
Futures:

			07/30/98	Week Ago 07/24/98	Year Ago 08/01/97
Kansas City	Wht	Sep	2.7700	2.8825	3.6850
Minneapolis	Wht	Sep	3.1150	3.3000	3.9150
Minneapolis	Dur	Sep	3.9200	4.0200	n.a.
Chicago	Wht	Sep	2.5250	2.6525	3.6150
Chicago	Corn	Sep	2.1750	2.2475	2.6850
Chicago	Sybn	Nov	5.6100	5.9950	6.5550

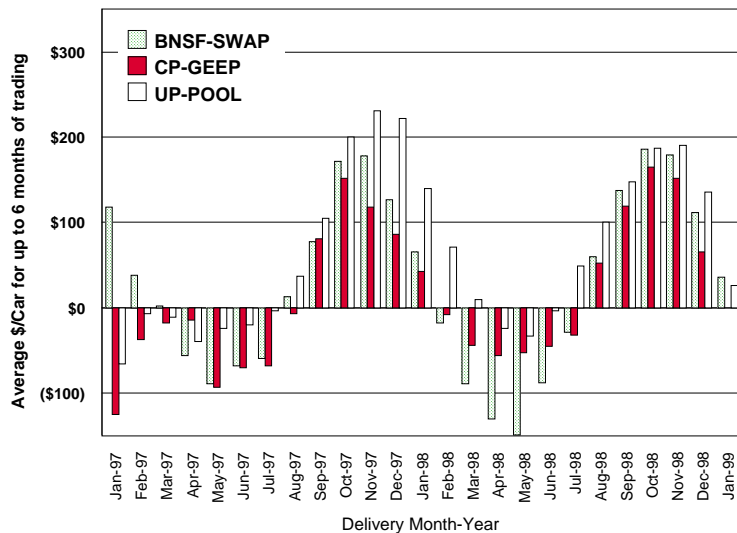


Spot Barge Rate - Illinois River

Index - Percent of Tariff Rate



Secondary Rail Market Bids



See the Grain Trax page at www.ugpti.org for more graphs of rail premiums.

Rail Car 'Auction' Offerings				
Delivery for:	Sep-98		Nov-98	
	<u>Offered</u>	<u>% Sold</u>	<u>Offered</u>	<u>% Sold</u>
BNSF-COT	6,508	98%	5,205	76%
UP-GCAS	5,400	0%	5,400	0%
Source: Transportation & Marketing /AMS/USDA; www.bnsf.com; www.uprr.com				

Secondary Rail Car Market

Average Premium/Discount to Tariff, \$/Car - Last Week

	Delivery Period			
	Aug-98	Sep-98	Oct-98	Nov-98
BNSF-COT	\$158	\$177	\$190	\$166
CP-GEEP	\$85	\$140	\$105	\$121
UP-Pool	\$183	\$238	\$221	\$166

Source: T&M/AMS/USDA. Data from Atwood/ConAgra., Harvest States Co-op, James B. Joiner Co., Tradewest Brokerage Co.;

GF=Guaranteed Freight, GEEP=Guaranteed Eqpt. Exchange, Pool=Guaranteed Pool
note... bids listed are market INDICATORS only & are NOT guaranteed prices, missing value=No Bid Quoted

Railroad Car 'Auction' Results

Average Premium/Discount to Tariff, \$/Car - Last Auction

Delivery for:	Sep-98	Nov-98	Dec-98
COT/N. Grain	\$175	\$202	\$149
COT/S. Grain	\$184	no offer	\$145
GCAS/Region 2	no offer	no offer	no offer
GCAS/Region 4	no offer	no offer	no offer

Source: T&M/AMS USDA. Data from www.bnsf.com, www.uprr.com.
 (COT=Certificate of Transportation; GCAS=Grain Car Allocation System)

Southbound Barge Freight Nominal Values*

Index=Percent of Tariff, Based on 1976 Tariff Benchmark Rate

Week ended	River/Region	Contract Period	Rate
7/31/98	Mid Miss	nwk	180
		Aug	245
	Illinois River	Oct	240
	St Louis	nwk	145
	Lower Ohio	nwk	145
	S. Memphis	nwk	185

*Summary Of Daily Barge Trades Reported To St. Louis Merchants Exchange.

twk=this week

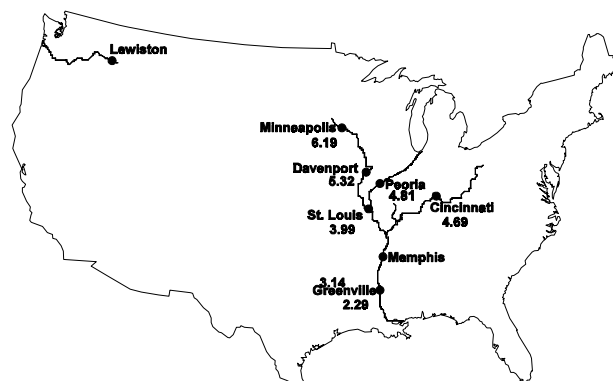
nwk=next week

Southbound Barge Freight Spot Rates

	7/29/98	7/15/98	Aug'98	Oct'98
Twin Cities	227	221	218	273
Mid-Mississippi	182	185	186	243
Illinois River	166	176	173	237
St. Louis-Cairo	128	124	141	212
Lower Ohio	130	130	151	239
Cairo-Memphis	124	121	138	186

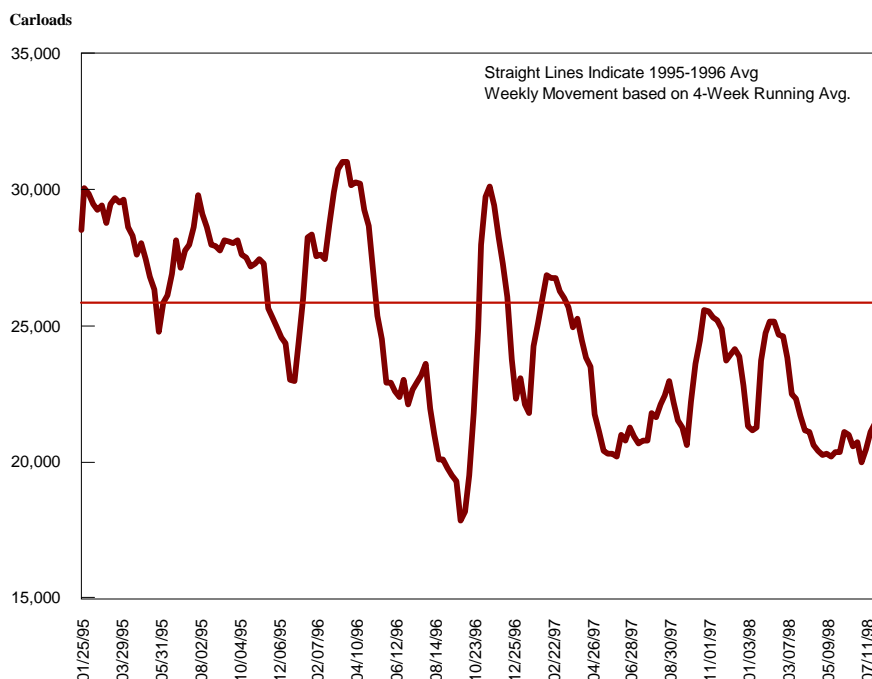
Source: Transportation & Marketing /AMS/USDA
 nq- no quote

Barge Benchmark Tariff Rates
Est. 1976 - 'Tariff No. 7'



Grain Car Loadings for Class I Railroads

Class I Railroad Grain Car Loadings	
Week Ending:	Carloads
7/11/98	21,818
7/18/98	22,166
7/25/98	22,536
Year to Date - 1998	636,565
Year to Date - 1997	671,730
Total 1997	1,199,995
Total 1996	1,235,123
Source: American Association of Railroads	

Class I Rail Carrier Grain Car Bulletin
Carloads

	East				West			Canada	
	Conrail	CSXT	IC	NS	BNSF	KCS	UP	CN	CP
07/25/98	726	2,099	1,862	2,494	8,061	654	6,640	1,778	4,138
This Week Last Year	374	2,145	1,174	1,994	7,474	602	7,132	3,639	6,476
1998 YTD	19,859	68,898	43,265	73,423	229,430	18,314	183,376	66,277	117,978
1997 YTD	14,206	66,854	44,634	69,860	224,691	19,643	227,526	91,921	144,987
1996 Total	31,733	111,509	48,695	131,568	432,687	30,009	439,865	129,714	181,387
1995 Total	37,851	133,755	61,612	139,043	410,274	34,393	447,786		

Source: American Association of Railroads

Tariff Rail Rates for Unit Train Shipments

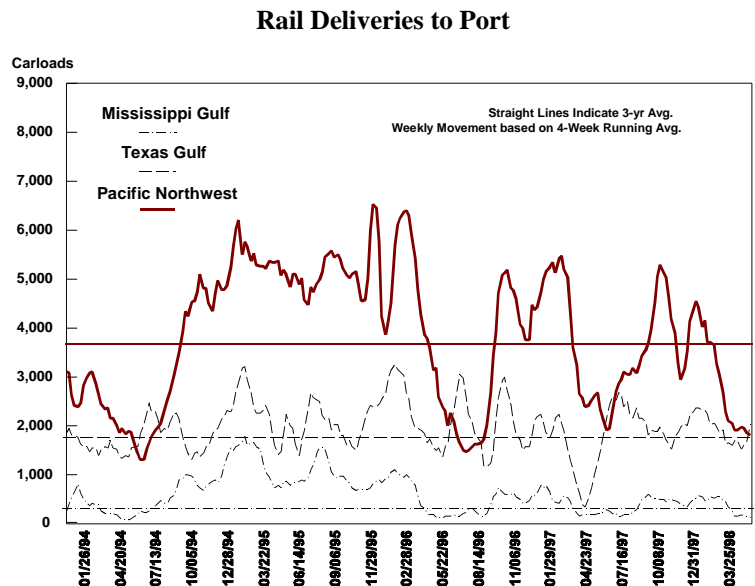
August 1998

Date Effective	Tariff Item	Commodity	Origin	Destination	Rate Per Car	Rate Per MT	Rate/Per Bushel*
05/01/98	45560	Wheat	Minneapolis, MN	Houston, TX	\$2,050	\$18.60	\$0.62
05/01/98	43521	Wheat	Minneapolis, MN	Portland, OR	\$4,027	\$36.54	\$1.21
05/01/98	46540	Wheat	Kansas City, MO	Houston, TX	\$1,450	\$13.16	\$0.44
05/01/98	43586	Wheat	Kansas City, MO	Portland, OR	\$3,812	\$34.59	\$1.14
05/01/98	43581	Wheat	Omaha, NE	Portland, OR	\$3,505	\$31.81	\$1.05
05/01/98	31040	Corn	Minneapolis, MN	Portland, OR	\$2,865	\$22.87	\$0.80
05/01/98	33111	Corn	Kansas City, MO	Houston, TX	\$1,600	\$12.77	\$0.45
05/01/98	31035	Corn	Kansas City, MO	Portland, OR	\$2,600	\$20.75	\$0.73
05/01/98	31040	Corn	Omaha, NE	Portland, OR	\$2,485	\$19.83	\$0.70
05/01/98	61180	Soybean	Minneapolis, MN	Portland, OR	\$3,080	\$27.95	\$0.92
05/01/98	61180	Soybean	Omaha, NE	Portland, OR	\$2,780	\$25.23	\$0.83

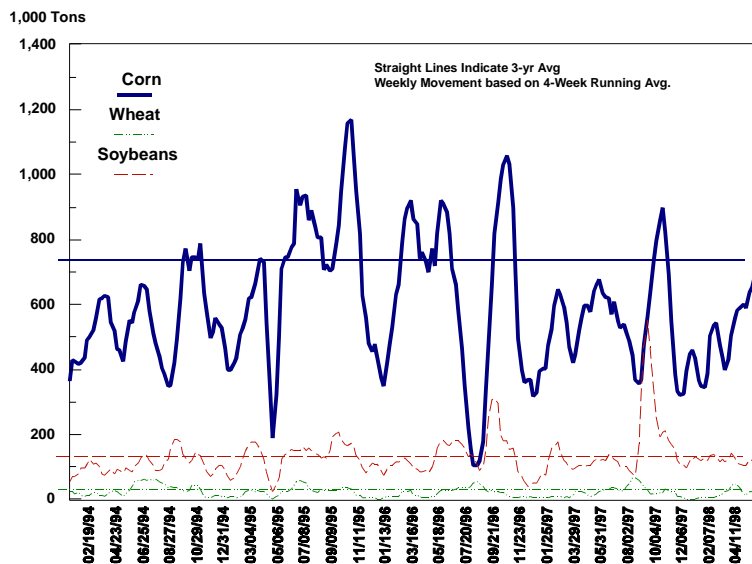
Source: www.bnsf.com

Approximate load per car = 100 tons: Corn 56 lbs/bu, Wheat & Soybeans 60 lbs/bu

Rail Deliveries to Port				
Carloads				
	Mississippi Gulf	Texas Gulf	Pacific Northwest	Atlantic & East Gulf
Week Ending:				
07/08/98	102	1,713	1,445	124
07/15/98	80	2,888	1,556	279
07/22/98	102	2,240	1,135	84
YTD 1998	9,409	58,629	79,602	6,576
YTD 1997	11,547	45,176	109,883	3,804
Total 1997	20,152	93,265	195,953	9,147
Total 1996	25,899	113,804	199,709	11,304
Source: Transportation & Marketing/AMS/USDA				



Barge Movements - Locks 27



Barge Grain Movements

for week ending 07/25/98

	Corn	Wht	Sybn	Total
1,000 Tons				
Mississippi River				
Rock Island, IL (L15)	295	38	77	409
Winfield, MO (L25)	464	49	71	584
Alton, IL (L26)	800	22	119	940
Granite City, IL (L27)	844	21	133	998
Illinois River (L8)	200	3	37	240
Ohio (L52)	15	7	13	77
Arkansas (L1)	0	50	6	55
1998 YTD	15,734	1,779	4,405	23,724
1997 YTD	16,380	1,074	4,089	23,587
Total 1997	29,685	2,689	9,584	45,315
Total 1996	34,210	2,348	8,297	48,963
Miss YTD: Calendar year totals include Miss/27, Ohio/52 and Ark/1.				
Source: U.S. Army Corp of Engineers				

U.S. Export Balances* (1,000 Metric Tons)

	<i>HRW</i>	<i>SRW</i>	<i>HRS</i>	<u>Wheat</u> <i>SWW</i>	<i>DUR</i>	<i>All</i>	<u>Corn</u>	<u>Soybean</u>	<u>Total</u>
<u>Unshipped Exports-Crop Year</u>									
07/23/98	1,583	1,015	1,015	930	223	3,992	7,187	2,152	13,331
This Week Year Ago	2,107	1,095	1,095	839	339	5,442	8,844	6,205	20,491
<u>Cumulative Exports-Crop Year</u>									
97/98 YTD	1,684	920	820	370	99	3,293	32,643	23,504	59,440
96/97 YTD	1,346	901	901	497	214	3,813	40,327	23,322	67,462
95/96 Total	9,867	6,792	8,918	6,443	897	32,917	55,769	23,550	112,236
94/95 Total	10,157	5,453	7,686	5,837	893	30,026	54,742	23,410	108,178

Source: Foreign Agricultural Service YTD-Year-to-Date (fas.usda.gov) Crop Year: Wheat=5/31-6/01, Corn & Soybeans=9/01-8/31

Select U.S. Port Regions - Grain Inspections for Export - 1,000 Metric Tons

	<u>Pacific Region</u>			<u>Mississippi Gulf</u>			<u>Texas Gulf</u>		
	<i>Wheat</i>	<i>Corn</i>	<i>Soybean</i>	<i>Wheat</i>	<i>Corn</i>	<i>Soybean</i>	<i>Wheat</i>	<i>Corn</i>	<i>Soybean</i>
07/30/98	120	53	0	105	559	175	325	4	0
1998 YTD **	5,138	3,249	402	2,998	15,954	7,934	4,105	243	620
1997 YTD **	6,226	6,567	914	2,696	16,530	9,227	2,232	944	428
% of Last Year	83%	49%	44%	111%	97%	86%	184%	26%	145%
1997 Total	11,156	9,728	1,764	6,349	28,183	18,658	5,106	1,001	1,014

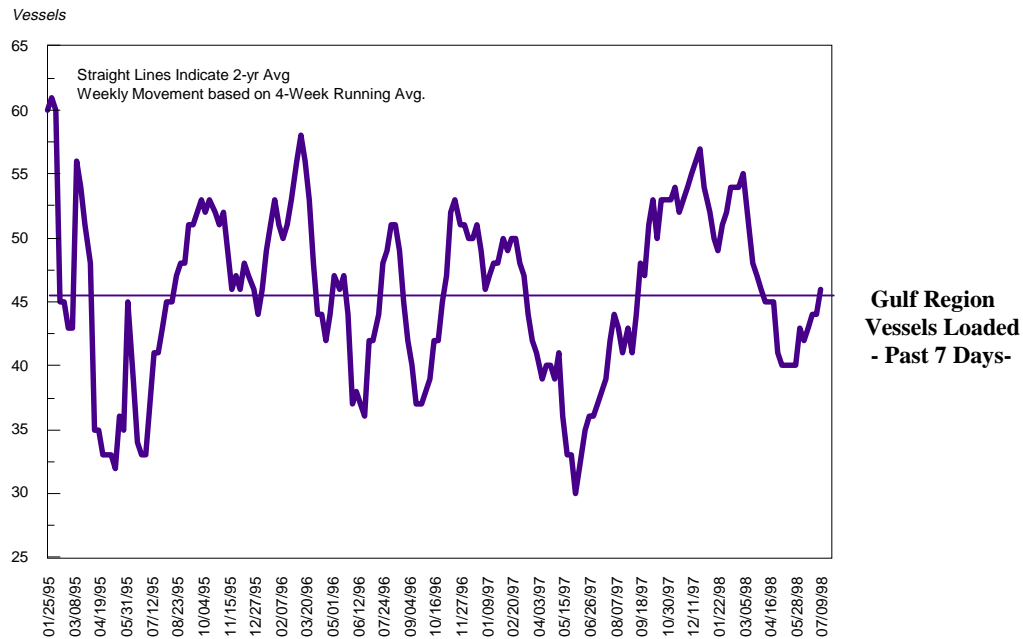
Source: Federal Grain Inspection Service *Year Ago-This Week a Year Ago ** YTD-Year-to-Date

Select Canadian Ports - Export Inspections

1,000 Metric Tons, Crop Year

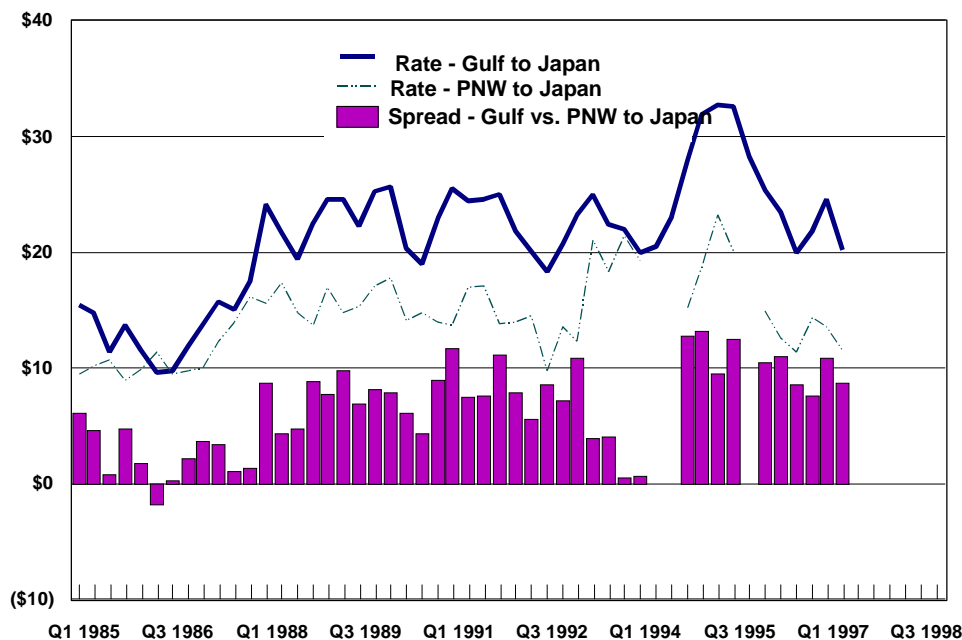
	<u>Wheat</u>	<u>Durum</u>	<u>Barley</u>
Week Ended: 07/30/98			
Vancouver	6,326	1,275	1,017
Prince Rupert	3,765	31	392
Prairie Direct	1,137	383	362
Thunder Bay	646	341	318
St. Lawrence	3,547	2,152	7
1997 YTD Exports	15,421	4,182	2,096
1996 YTD Exports	14,825	4,027	3,370
% of Last Year	104%	104%	62%

Source: Canadian Grains Commission *Year Ago-This Week a Year Ago **
YTD-Year-to-Date Crop Year 8/1-7/31



Port Region Ocean Grain Vessels									
	Gulf			Pacific Northwest			Vancouver, B.C.		
	<u>In Port</u>	<u>Loaded 7-Days</u>	<u>Due Next 10-Days</u>	<u>In Port</u>	<u>Loaded 7-Days</u>	<u>Due Next 10-Days</u>	<u>In Port</u>	<u>Loaded 7-Days</u>	<u>Due Next 10-Days</u>
07/23/98	25	45	50	6			11	7	7
07/30/98	29	43	42	6			6	13	0
1997 Range	(11..52)	(25..61)	(31..89)						
1996 Range	(17..46)	(38..61)	(27..88)						
1997 Avg	33	45	58						
1996 Avg	38	46	62						
1995 Avg	31	46	61						
Source: Transportation & Marketing /AMS/ USDA									

US\$/Metric Ton



Quarterly Ocean Freight Rates

Quarterly Ocean Freight Rates

Weighted Average Rates & Vessel Size, U.S. Dollars/Metric Ton - Basis

	1998 1 st Qtr	1997 1 st Qtr	% Change		1998 1 st Qtr	1997 1 st Qtr	% Change
Gulf to				Pacific NW to			
Japan	\$18.24	\$25.29	-28%	Japan	\$10.08	\$15.08	-33%
Mexico	\$12.15	\$17.99	-32%	Red Sea/ Arabian Sea		\$20.17	
Venezuela	\$11.13	\$16.73	-33%				
N. Europe	\$9.85	\$12.60	-22%	Argentina to			
N. Africa	\$14.65	\$18.84	-22%	N. Europe	\$12.32	\$17.98	-31%
				Japan	\$20.93	\$33.64	-38%

Source: Transportation & Marketing/AMS/USDA

Ocean Freight Rates

Export Region	Import Region	Grain	Month	Volume Loaded (Tons)	Freight Rate (\$/Ton)
Gulf	Taiwan	Heavy Grains	Sept/Oct	54,000	\$12.97-13.50
Gulf	Japan	Heavy Grains	August	32,000-54,000	\$12.75-13.50
N. Pacific	So. Korea	Heavy Grains	August	50,000	\$9.75
Sao Francisco (S. Brazil)	Lisbon/Hamburg	Grains	August	35,000	\$10.50
Brazil	Turkey	Grains	Prompt	20,000	\$16.68
RiverPlate/Necochea	Malaysia	Heavy Grains	August	50,000	\$13.75
Brazil	Algeria	Wheat	Spot	25,000	\$13.00
Denmark	China	Heavy Grains	August	33,000	\$17.50

Source: Maritime Research Inc.